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**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH  
CALCASIEU PARISH POLICE JURY  
COMPONENT UNIT FINANCIAL REPORT  
December 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/16/08

GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH  
Lake Charles, Louisiana

FINANCIAL REPORT  
December 31, 2007

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GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH

December 31, 2007

COMMISSIONERS

Lowell Guillory - President  
Donny Greene - Vice President  
Bill Miller - Secretary- Treasurer  
Rex Dansby - Member

ADMINISTRATION OFFICIALS

Mike Wittler - Superintendent  
Sheila Ozane - Office Manager

LEGAL COUNSEL

Terry Manuel - Assistant District Attorney

ENGINEER

D.W. Jessen, Jr., P.E.



# Langley, Williams & Company, L.L.C.

**CERTIFIED PUBLIC ACCOUNTANTS**  
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MICHAEL F. CALLOURA  
PHILLIP D. ABSHIRE, JR.  
DAPHNE B. CLARK  
J. AARON COOPER

MEMBERS OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS STATE BOARD  
OF PUBLIC ACCOUNTANCY  
PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD  
CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

## REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Gravity Drainage District No. 4  
of Calcasieu Parish  
Calcasieu Parish Police Jury  
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of December 31, 2007, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lake Charles, Louisiana  
May 30, 2008

**Lake Charles, Louisiana**  
**May 30, 2008**

GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
December 31, 2007

<u>ASSETS</u>	
Current assets:	
Cash and deposits	\$ 595,966
Investments	7,170,762
Taxes receivable, net	2,530,718
Other receivables	<u>43,513</u>
Total current assets	<u>10,340,959</u>
Noncurrent assets:	
Capital assets, net	<u>12,511,754</u>
Total assets	<u>22,852,713</u>
<u>LIABILITIES</u>	
Accounts payable	41,015
Other current liabilities	35,998
Deferred revenue	<u>26,809</u>
Total liabilities	<u>103,822</u>
<u>NET ASSETS</u>	
Investment in capital assets	12,511,754
Fund balance - unrestricted	<u>10,237,137</u>
Total net assets	<u>\$ 22,748,891</u>

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
For the Year Ended December 31 2007**

	Functions/Programs		
	Administration	Drainage	Total
Expenses:			
Salaries and benefits	\$ 153,097	\$ 653,925	\$ 807,022
Materials and supplies	15,797	164,330	180,127
Operating services	59,029	780,570	839,599
Other program expenses	78,495	-	78,495
Depreciation	1,106	458,125	459,231
Total program expenses	<u>\$ 307,524</u>	<u>\$ 2,056,950</u>	<u>2,364,474</u>
General revenues:			
Ad valorem taxes			2,473,712
State revenue sharing			80,428
Interest income			465,602
Miscellaneous			<u>10,165</u>
Total general revenues			<u>3,029,907</u>
Change in net assets			665,433
Net assets at beginning of year, as previously reported			22,170,958
Cumulative effect of prior period adjustment			<u>(87,500)</u>
Net assets at beginning of year, as restated			<u>22,083,458</u>
Net assets at end of year			<u>\$ 22,748,891</u>

GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH

BALANCE SHEET - GOVERNMENTAL FUND  
December 31, 2007

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and deposits	\$ 595,966
Investments	7,170,762
Taxes receivable, (net of allowance for uncollectibles of \$25,821)	2,530,718
Other receivables	<u>43,513</u>
Total assets	<u>\$ 10,340,959</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Accounts payable	\$ 41,015
Other current liabilities	35,998
Deferred revenue	<u>26,809</u>
Total liabilities	103,822
Fund equity:	
Fund balance - unreserved:	
Designated for contingencies	<u>10,237,137</u>
Total liabilities and fund equity	<u>\$ 10,340,959</u>



**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
For the Year Ended December 31 2007**

Total fund balance for governmental funds at December 31, 2007	\$ 10,237,137
Total net assets reported for governmental activities in the Statement of Net Assets is difference because:	
Capital asset used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consists of:	
Capital assets, net of \$7,622,789 accumulated depreciation	<u>12,511,754</u>
Change in net assets of governmental activities	<u>\$ 22,748,891</u>

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended December 31, 2007**

	<u>General Fund</u>
Revenue:	
Ad valorem taxes	\$ 2,473,712
State revenue sharing	80,428
Interest	<u>465,602</u>
Total revenues	3,019,742
Expenditures:	
Public works:	
Drainage and flood control:	
Salaries and benefits	784,722
Per diem (Board of Commissioners)	22,300
Operating services	839,599
Materials and supplies	180,127
Intergovernmental charges	78,495
Capital outlay	<u>101,623</u>
Total expenditures	2,006,866
Excess revenues over expenditures	1,012,876
Other financing sources:	
Miscellaneous	<u>10,165</u>
Total other financing sources	10,165
Excess of revenues and other financing sources over expenditures	1,023,041
Fund balance at beginning of year	<u>9,214,096</u>
Fund balance at end of year	<u><u>\$ 10,237,137</u></u>

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**RECONCILIATION OF THE STATEMENT OF ACTIVITIES  
TO THE STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended December 31 2007**

	Total Governmental Fund
	<hr/>
Reconciliation of the change in fund balances - total governmental fund to the change in net assets of governmental activities:	
Net change in fund balance - total governmental fund	\$ 1,023,041
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases	101,623
Depreciation expense	<hr/> (459,231)
Change in net assets of governmental activities	<hr/> <hr/> \$ 665,433

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury responsible for maintenance of certain natural drainage laterals located in Ward 3, Calcasieu Parish. The District is authorized by R.S. 38:1751 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana. The Drainage Board is comprised of 5 members who are appointed by the Calcasieu Parish Police Jury for terms of four years.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The financial statements of the Gravity Drainage District No. 4 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**B. REPORTING ENTITY**

The accompanying financial statements include the various activities that are within the control and authority of the Board of Commissioners of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana.

**C. FUND ACCOUNTING**

*The Gravity Drainage District No. 4 uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts.*

The district maintains one fund to account for its operations which it has classified as a general fund. General funds are used to account for all revenue sources that are legally restricted to expenditures for specific purpose.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, the following practices are utilized in recording revenues and expenditures:

Revenues -- The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

Annually, the District adopts a revenue and expenditure budget for its general fund. A forecast of revenues and expenditures is made based upon the prior year's revenues and expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year.

The budget is adopted on a GAAP basis method of accounting. Budgetary comparisons presented in this report are on this GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**F. CASH AND DEPOSITS**

In prior years, the District considered highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. In order to conform to the requirements of GASB Statement No. 31, cash and deposits (generally interest-bearing demand deposits) are separate from investments that formerly were considered cash equivalents (primarily deposits with Louisiana Asset Management Pool), which are now presented as investments. Cash and deposits are stated at cost.

**G. INVESTMENTS**

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition the District is authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by the initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

Investments, which include U.S. Government agencies and deposits in LAMP, are stated at fair market value.

**H. CAPITAL ASSETS**

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$300.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	15 to 40 years
Improvements, other than buildings	5 to 40 years
Furniture and fixtures	3 to 10 years
Machinery and equipment	3 to 15 years
Infrastructure	15 to 40 years

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**M. VACTION AND SICK LEAVE**

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the District. Generally, vacation leave cannot be accumulated. However, vacation leave is allowed to be carried forward for the Superintendent, the Assistant Superintendent and the Office Manager, however, the liability is not considered by management to be material and the liability has not been accrued.

All District employees earn twelve and one-half hours of sick leave per month. Sick leave can be accumulated without limitation. Upon retirement, all unused sick leave is used in the retirement benefit computation as earned service.

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. Because these liabilities will not be settled in cash, they are not included in the financial statements.

**2. CASH AND DEPOSITS**

At December 31, 2007, the district has cash and cash equivalents (book balances) totaling \$595,966.

Those deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2007, the district has \$736,263 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$4,218,568 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**3. AD VALOREM TAXES AND STATE REVENUE SHARING**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by Calcasieu Parish around October and are actually billed to the taxpayers in November. Billed taxes become delinquent on December 31.

The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

Accounting principles generally accepted in the United States of America for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 2007 levy are accrued as receivable and as revenue in the current year (2007). For budget purposes, property taxes collected in 2007 are designated as revenue appropriable in the 2007 budget year.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**4. INVESTMENTS**

The District has entered into an agreement with the Calcasieu Parish Police Jury whereby the Police Jury provides investment management services. At December 31, 2007, the fair value of the District's investment in U.S. agency securities was \$1,700,000 which is categorized as Category 1 under the provisions of GASB Statement No. 3. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the name of the District. The original cost of the security was \$1,700,000 and there is no unrealized loss at December 31, 2007. The weighted-average yield on the U.S. agency security was 5.50% and the maturity dated July 2012 of December 31, 2007.

Deposits held by LAMP at December 31, 2007, consist of \$5,470,762 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Statement No. 3, the investment in LAMP is not categorized in the three risk categories provided by GASB Statement No. 3 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the state of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar-weighted-average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

At December 31, 2007, the weighted-average yield on the deposits at LAMP was 5.2% and the weighted-average maturity was less than 60 days. LAMP is rated AAAM with Standard & Pools.



**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 1/1/07	Additions	Deletions	Balance 12/31/07
Governmental activities:				
Land	\$ 259,016	\$ -	\$ -	\$ 259,016
Buildings	49,238	-	-	49,238
Furniture and fixtures	22,063	12,392	-	34,455
Light equipment	335,132	3,462	-	338,594
Heavy equipment	1,309,789	-	-	1,309,789
Infrastructure	18,057,683	75,289	-	18,132,972
Construction in progress	87,500	10,480	87,500	10,480
Total at historical cost	<u>20,120,421</u>	<u>101,623</u>	<u>87,500</u>	<u>20,134,544</u>
Less accumulated depreciation:				
Buildings	13,855	1,641	-	15,496
Furniture and fixtures	20,812	1,250	-	22,062
Light equipment	154,297	28,352	-	182,649
Heavy equipment	866,146	70,516	-	936,662
Infrastructure	6,108,449	357,472	-	6,465,921
Total accumulated depreciation	<u>7,163,559</u>	<u>459,231</u>	<u>-</u>	<u>7,622,790</u>
Governmental activities capital assets, net	<u>\$ 12,956,862</u>	<u>\$ (357,608)</u>	<u>\$ 87,500</u>	<u>\$ 12,511,754</u>

**6. RETIREMENT SYSTEMS**

Defined benefit pension plan:

Plan description:

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. Act 205 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the Parochial Employees' Retirement System law became effective January 1, 1980. This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and a Legal Advisor.

All permanent employees of the District who work at least 28 hours a week shall become members on the date of employment. Members become entitled to receive retirement benefits after 10 years of creditable service. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service.

Members with 10 years of creditable service may retire at age sixty; members with 25 years of service may retire at age fifty-five; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**6. RETIREMENT SYSTEMS- (CONTINUED)**

(defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for this retirement system. DROP is an option for those members who have been eligible for normal retirement for one year. The plan allows the pension benefit that is accrued at that point in time to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement.

Funding policy:

The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions is fixed by law. Covered employees were required by Louisiana state statute to contribute 9.5% of their salary to the plan for the years 2007-2004. The District was required by the same statute to contribute 13.25% in 2007 and 12.75% in 2006 and 2005 of eligible salaries. In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish (excepting Orleans and East Baton Rouge Parish) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contribution.

The District's contributions to the Parochial Employees' Retirement System of Louisiana for each of the years ending December 31, 2007, 2006 and 2005 are presented below. These contributions are equal to the required contributions for each year.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Employer's contribution	\$ 66,409	\$ 62,366	\$ 62,952
Employee's contribution	44,328	43,707	46,906
Funded via ad valorem taxes	<u>78,301</u>	<u>69,687</u>	<u>68,570</u>
	<u>\$ 189,038</u>	<u>\$ 175,760</u>	<u>\$ 178,428</u>

The Drainage District does not guarantee any benefits granted by the retirement system.

**7. EMPLOYEE BENEFIT PLAN**

The District maintains a medical and death benefits plan covering substantially all employees of the District. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is funded through contributions made by the District through premiums and expenditures made by the District. Effective October 1, 2001, the District changed its medical benefits plan to provide medical benefits through a health insurance policy for which the District is responsible for the premium costs only.

The plan provides benefits that cover permanent, full-time employees of the District who choose to participate following the employee waiting period. The employee waiting period for all new employees is the first of the month following three months of full-time employment. Employees are not required to contribute to the plan in order to participate. The plan also provides continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) for qualified beneficiaries who would otherwise have lost coverage under the plan.

**GRAVITY DRAINAGE DISTRICT NO. 4**  
**Lake Charles, Louisiana**  
**December 31, 2007**  
**NOTES TO FINANCIAL STATEMENTS**

**7. EMPLOYEE BENEFIT PLAN- (Continued)**

Although it has not expressed an intent to do so, the District has the right to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA.

**8. BAD DEBTS**

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Tax revenue is shown net of the change in estimated uncollectible taxes of \$25,821.

**9. UNRESERVED AND DESIGNATED FUND BALANCES**

The Board of Commissioners continue their policy of designating fund balance to provide a contingency reserve of resources to respond to major equipment overhaul and replacement needs. The various pump systems of the District (with unit replacements ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround times) comprise the major objectives of this contingency designation.

**10. SCHEDULE OF COMMISSIONERS' COMPENSATION**

Comissioner:	
Rex Dansby	\$ 4,400
Donny Greene	4,800
Lowell Guillory	4,600
Bill Miller	4,500
Bernadette Stevens	<u>4,000</u>
Total	<u>\$ 22,300</u>

Commissioners are compensated at the rate of \$100 per meeting attended.

**11. PRIOR PERIOD ADJUSTMENT**

In 2005 the District entered into an agreement with the Calcasieu Parish Police Jury to share costs on a drainage project (Central Parkway Lateral). Each entity shared in the cost of the project 50-50. As of December 31, 2006 \$87,500 was expended on the project and was recorded as construction in progress in the statement of net assets. In 2007 with the completion of the project it was determined that this expenditures should have been expensed in the year incurred instead of being capitalized. This was a basin study cost and no capital assets resulted from the study, therefore an adjustment has been made to beginning net assets to reflect the effect of the overstatement in the financials statements for the year ended December 31, 2006 and 2005.

## *Required Supplemental Information*

**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCE (GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 2,060,400	\$ 2,356,000	\$ 2,473,712	\$ 117,712
State revenue sharing	81,232	81,232	80,428	(804)
Interest income	120,000	450,000	465,602	15,602
<b>Total revenues</b>	<b>2,261,632</b>	<b>2,887,232</b>	<b>3,019,742</b>	<b>132,510</b>
Expenditures:				
Public works:				
Drainage and flood control:				
Salaries and benefits	847,440	847,404	784,722	62,682
Per diem (Board of Commissioners)	24,000	24,000	22,300	1,700
Operating services	689,010	623,239	839,599	(216,360)
Materials and supplies	211,650	479,697	180,127	299,570
Intergovernmental charges	69,070	78,535	78,495	40
Nonrecurring expenses	100,000	42,500	-	42,500
Capital outlay	155,000	152,491	101,623	50,868
<b>Total expenditures</b>	<b>2,096,170</b>	<b>2,247,866</b>	<b>2,006,866</b>	<b>241,000</b>
<b>Excess of revenue over expenditures - budget basis</b>	<b>165,462</b>	<b>639,366</b>	<b>1,012,876</b>	<b>373,510</b>
Other financing sources:				
Miscellaneous	-	8,217	10,165	(1,948)
<b>Total other financing sources</b>	<b>-</b>	<b>8,217</b>	<b>10,165</b>	<b>(1,948)</b>
<b>Fund Balance at beginning of year</b>	<b>9,124,096</b>	<b>9,214,096</b>	<b>9,214,096</b>	<b>504,072</b>
<b>Fund balance at end of year</b>	<b>\$ 9,289,558</b>	<b>\$ 9,861,679</b>	<b>\$ 10,237,137</b>	<b>\$ 875,634</b>

## *Other Supplemental Information*



# Langley, Williams & Company, L.L.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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LAKE CHARLES, LOUISIANA 70605-1625  
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J. ARON COOPER

MEMBERS OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS STATE BOARD  
OF PUBLIC ACCOUNTANCY  
PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD  
CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Gravity Drainage District No. 4  
of Calcasieu Parish  
Lake Charles, Louisiana

We have audited the financial statements of Gravity Drainage District No. 4 of Calcasieu Parish as of and for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of financial statement that is more than inconsequential will not be prevented or detected by internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs identified as 07-01(IC), 07-02(IC) and 07-03(IC), to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by internal control.

**Gravity Drainage District No. 4 of Calcasieu Parish**  
**Page 2**

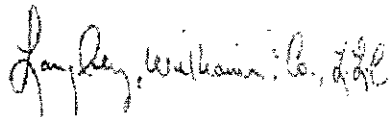
Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 07-01(IC) and 07-02(IC) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Gravity Drainage District No. 4 of Calcasieu Parish, the District's management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana  
May 30, 2008



**GRAVITY DRAINAGE DISTRICT NO. 4  
OF CALCASIEU PARISH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2007**

**Section I - Summary of Audit Results**

**Financial Statements**

Type of auditors' report issued	Unqualified
---------------------------------	-------------

*Internal control over financial reporting:*

- |  |     |
|--|-----|
| • Material weaknesses identified?  | Yes |
| • Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Noncompliance material to financial statements noted?	No
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Gravity Drainage District No. 4 of Calcasieu Parish  
Lake Charles, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan

For the Year Ended December 31, 2007

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Current year (12/31/2007)						
Internal Control:						
07- 01 (IC)	Unknown	Gravity Drainage District No. 4 did not have adequate segregation of duties within the accounting system.	No	The District's management has determined that it is not cost effective to achieve complete segregation of duties in the accounting department. They have, however, segregated as many duties as possible. No plan is considered necessary.	Sheila Ozane	NA
07- 02 (IC)	2007	Gravity Drainage District No. 4 does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.	No	The District's management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with (GAAP) and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Sheila Ozane	NA
07- 03 (IC)	2007	Outstanding checks should be investigated to determine whether such monies should be forwarded to the state treasury under the state's escheat law for the General Fund.	Yes	We will investigate checks to forward to the state.	Sheila Ozane	8/31/2008
Compliance:						
		There were no matters involving compliance to be reported.				

Gravity Drainage District No. 4 of Calcasieu Parish  
Lake Charles, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan - Continued

For the Year Ended December 31, 2007

Prior year (12/31/06)

Internal Control:

There were no matters involving the internal control over financial reporting to be reported.

Compliance:

There were no matters involving compliance to be reported.